



Scroll Sell Signals


A CASE STUDY ON THE SCROLL BLOCKCHAIN'S SCR TOKEN
AND HIDDEN POCKETS OF LIQUIDITY FOR SELL SIGNALS

NOVEMBER 20, 2024



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Introduction

Scroll positions itself as a “security-focused scaling solution” for the Ethereum blockchain network and the Layer 2 blockchain was launched to much fanfare in October 2023, promising to deliver faster transaction speeds and lower costs.

In October 2024, Scroll announced¹ the launch of its native token SCR as its “first step toward decentralization.”

The SCR token has several uses, including for the payment of transaction fees and the deployment of smart contracts on the Scroll Layer 2 blockchain.

In addition to being used for transaction fees, SCR tokens also serve as an incentive mechanism on Scroll.

Validators and network participants responsible for securing and validating transactions on the Scroll Layer 2 blockchain receive SCR tokens for their efforts.

SCR token holders can also participate in decision-making processes regarding the Scroll Layer 2 blockchain's upgrades, protocol changes, and other governance matters affecting the network.

This case study will explore Scroll's promised SCR token allocations, analyze if the team behind Scroll stuck to their promises, and uncover any potential trading signals based on the SCR token distribution.

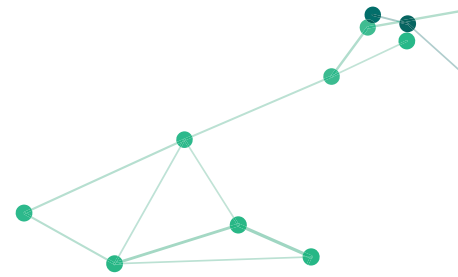
In summary, the published free float for SCR tokens (i.e. the unfettered SCR tokens available for sale) is more than the actual amount of SCR tokens currently available on the market.

Over 52 million SCR tokens (at the time this case study was prepared) remain available to be released into the market, that could materially impact SCR's token price.

Savvy traders will want to watch two specific Scroll stakeholder wallets to look out for SCR token liquidity entering the markets, which provides a potentially strong sell signal.

¹ <https://scroll.io/blog/scr-token>





SCR Token Allocation

The SCR token allocation is relatively straightforward. A total of 1 billion SCR tokens is intended to be distributed to stakeholders as follows:

Stakeholder	Promised Allocation of SCR Tokens
Ecosystem & Growth	25%
Scroll Contributors	23%
Investors	17%
Scroll DAO Treasury	10%
Scroll Foundation	10%
Future Airdrop	8%
Airdrop #1	7%

However, Scroll doesn't provide the blockchain addresses where the SCR tokens are distributed to, so a good place to start figuring out where everything goes is by analyzing the largest senders and receivers of the SCR token.

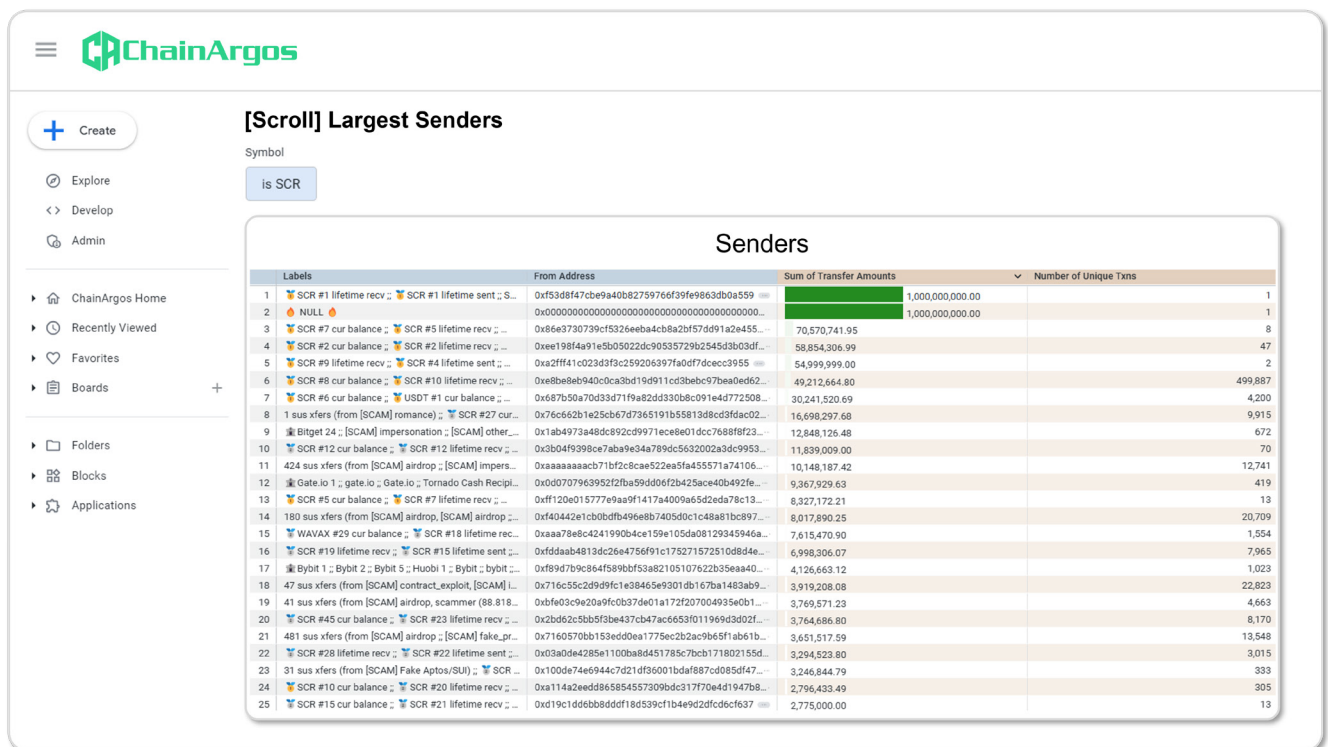


Figure 1. Largest Senders of the SCR token.

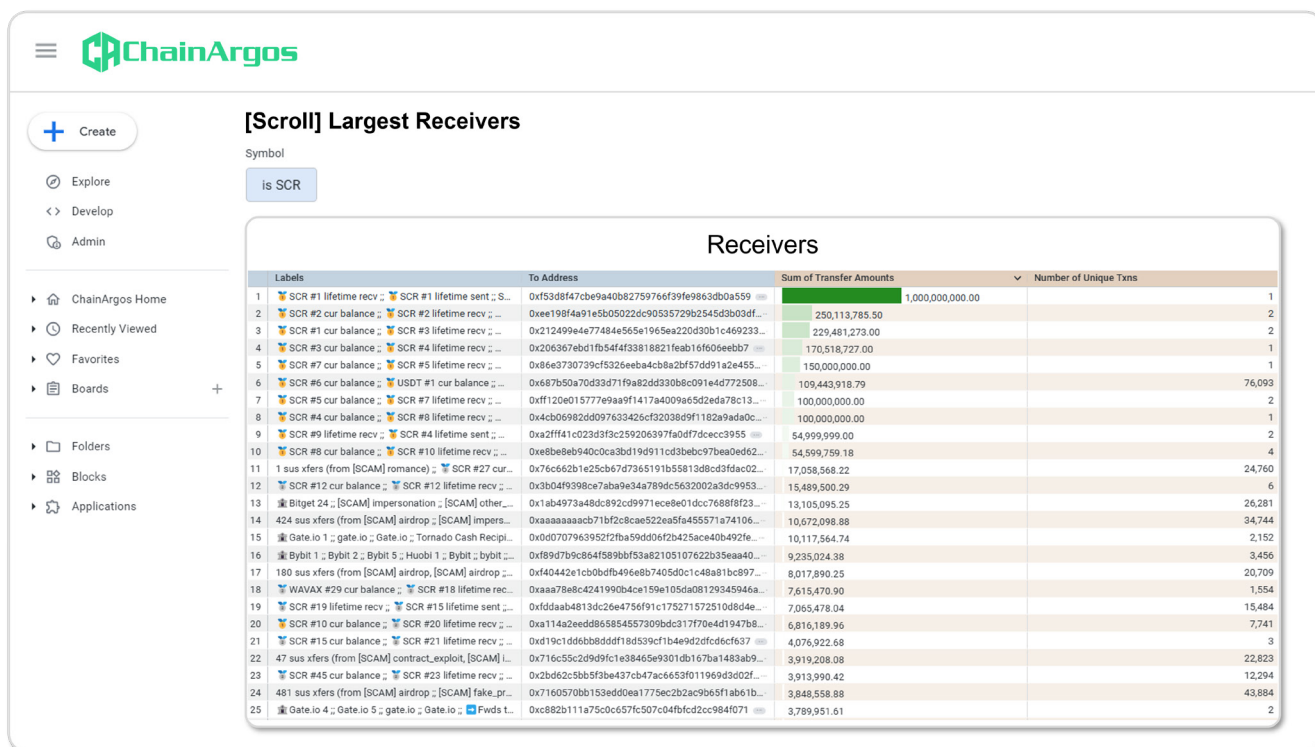


Figure 2. Largest Receivers of the SCR token.

From the largest senders and receivers of the SCR token, the main distributor of the SCR token was quickly identified.

A total of 1 billion SCR tokens were minted from the NULL address with the SCR Distributor² acting as the sole receiver and distributor of the minted SCR tokens, as show in Figure 3.

² 0xf53d8f47cbe9a40b82759766f39fe9863db0a559

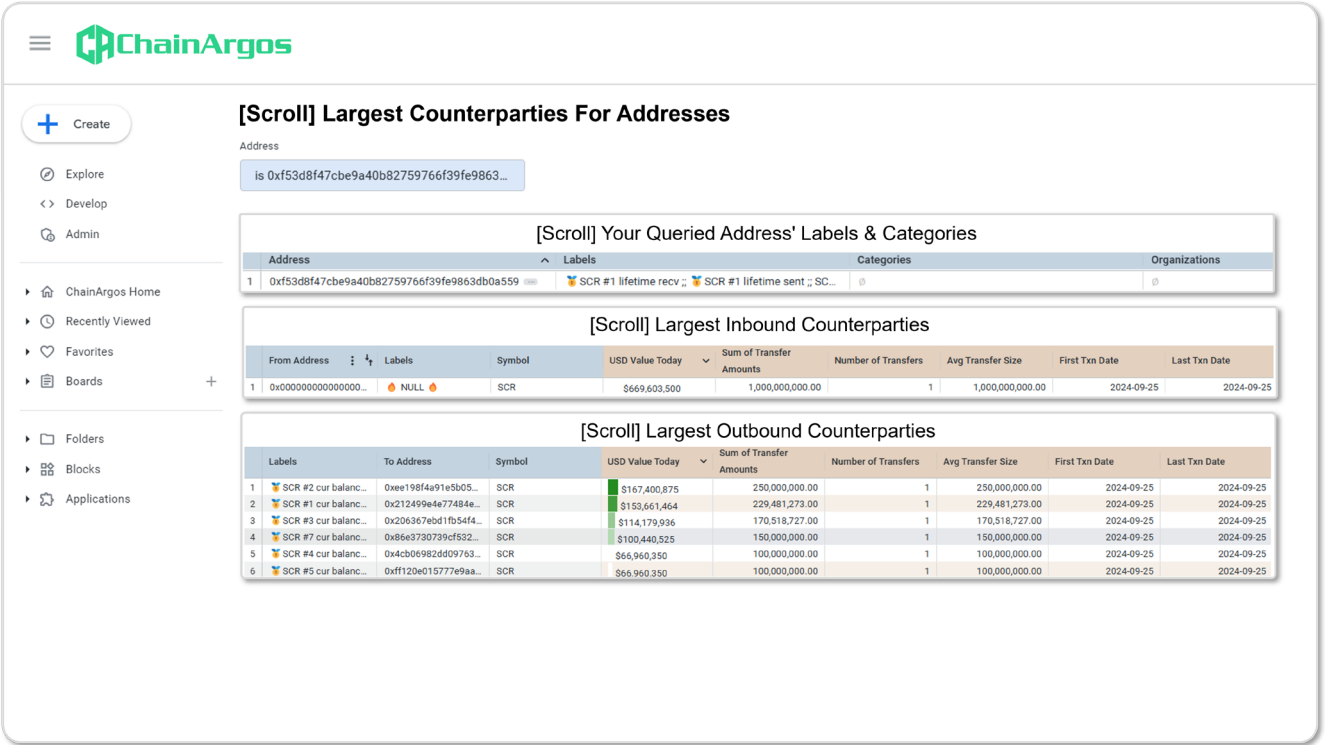


Figure 3. Largest Inbound and Outbound Counterparties for the SCR Distributor.

Ecosystem & Growth (“E&G Address”)

The E&G Address³ received 250,000,000 SCR tokens, consistent with the 25% of SCR tokens allocated for Ecosystem & Growth.

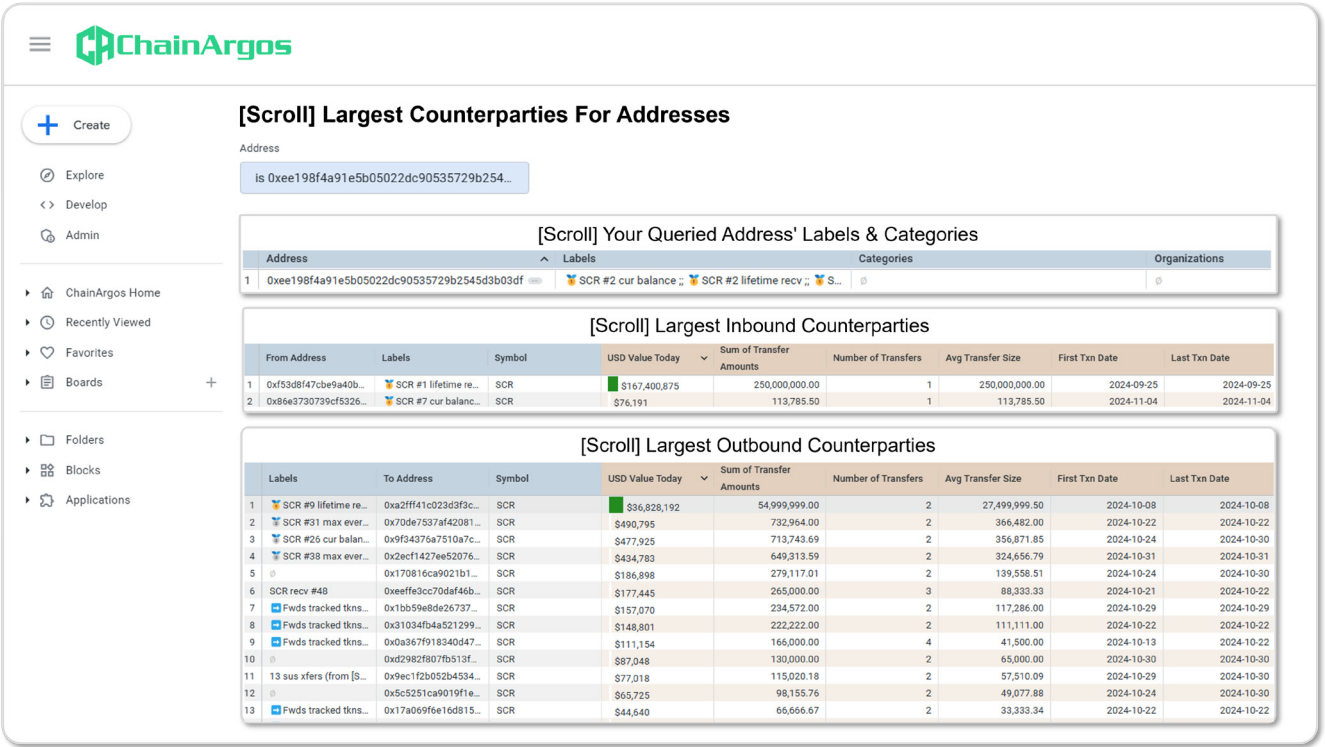


Figure 4. Largest Inbound and Outbound Counterparties for the E&G Address.

³ 0xee198f4a91e5b05022dc90535729b2545d3b03df

Scroll Contributors (“SC Address”)

The SC Address⁴ received 229,481,273 SCR tokens, which is approximate to the 23% of SCR tokens promised to Scroll Contributors.

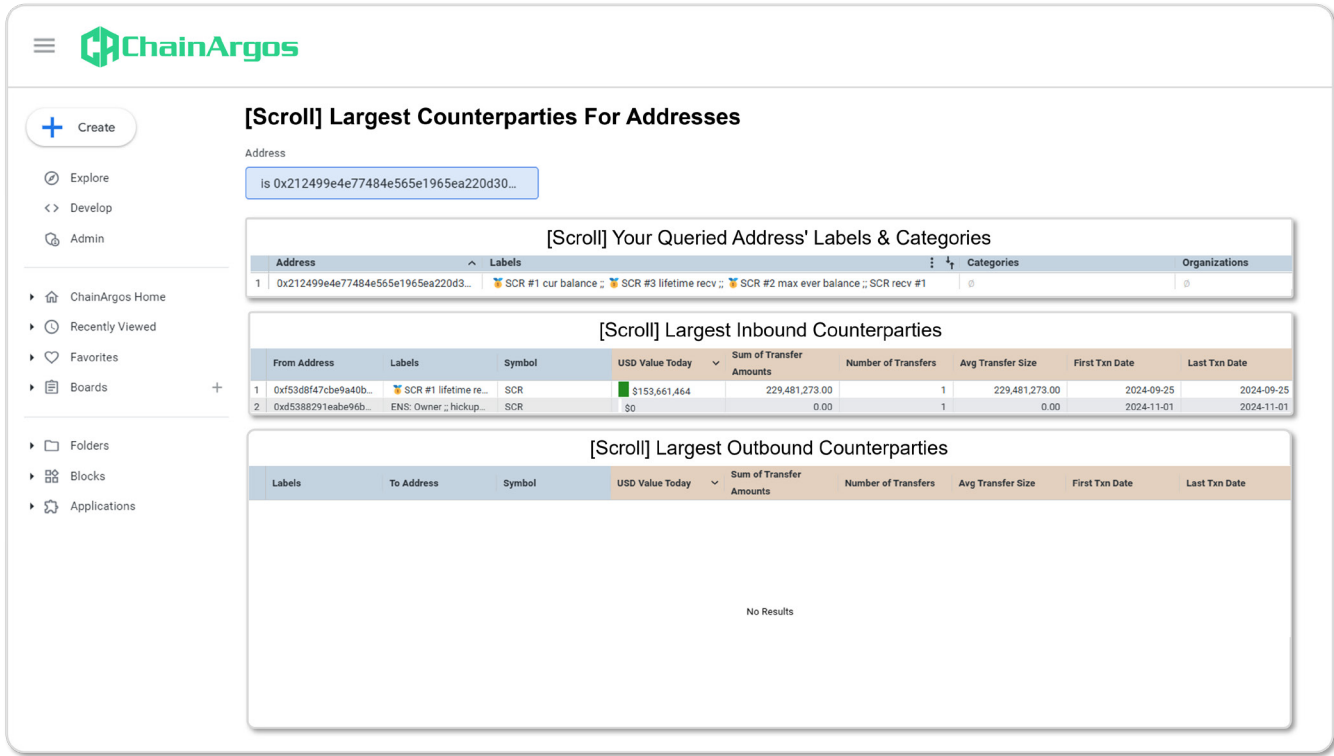


Figure 5. Largest Inbound and Outbound Counterparties for the SC Address.

Scroll Investors (“SCR Investors”)

The SCR Investors⁵ received 170,518,727 SCR tokens, which is approximate to the 17% of SCR tokens promised to investors.

⁴0x212499e4e77484e565e1965ea220d30b1c469233

⁵0x206367ebd1fb54f4f33818821feab16f606eebb7

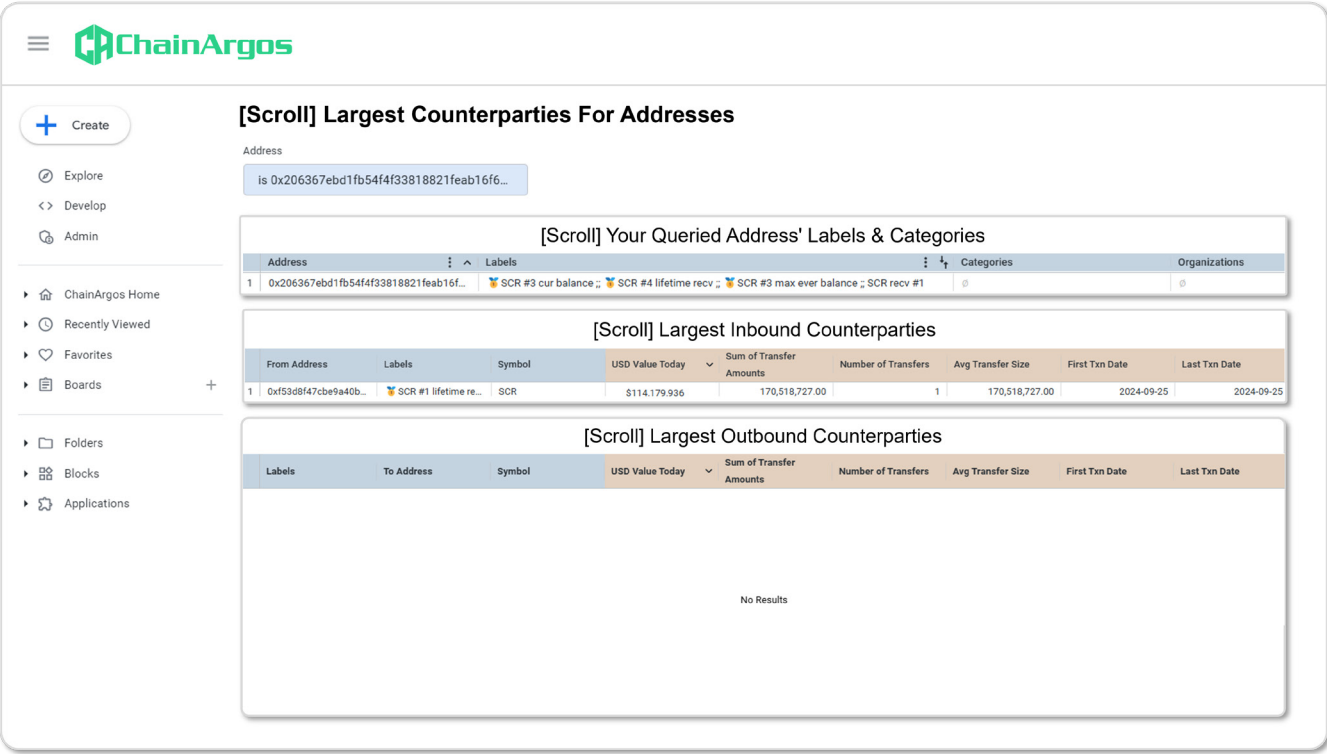


Figure 6. Largest Inbound and Outbound Counterparties for SCR Investors.

Airdrops

The Airdrops Address⁶ received 150,000,000 SCR tokens, consistent with the 15% of SCR tokens allocated for Airdrops.

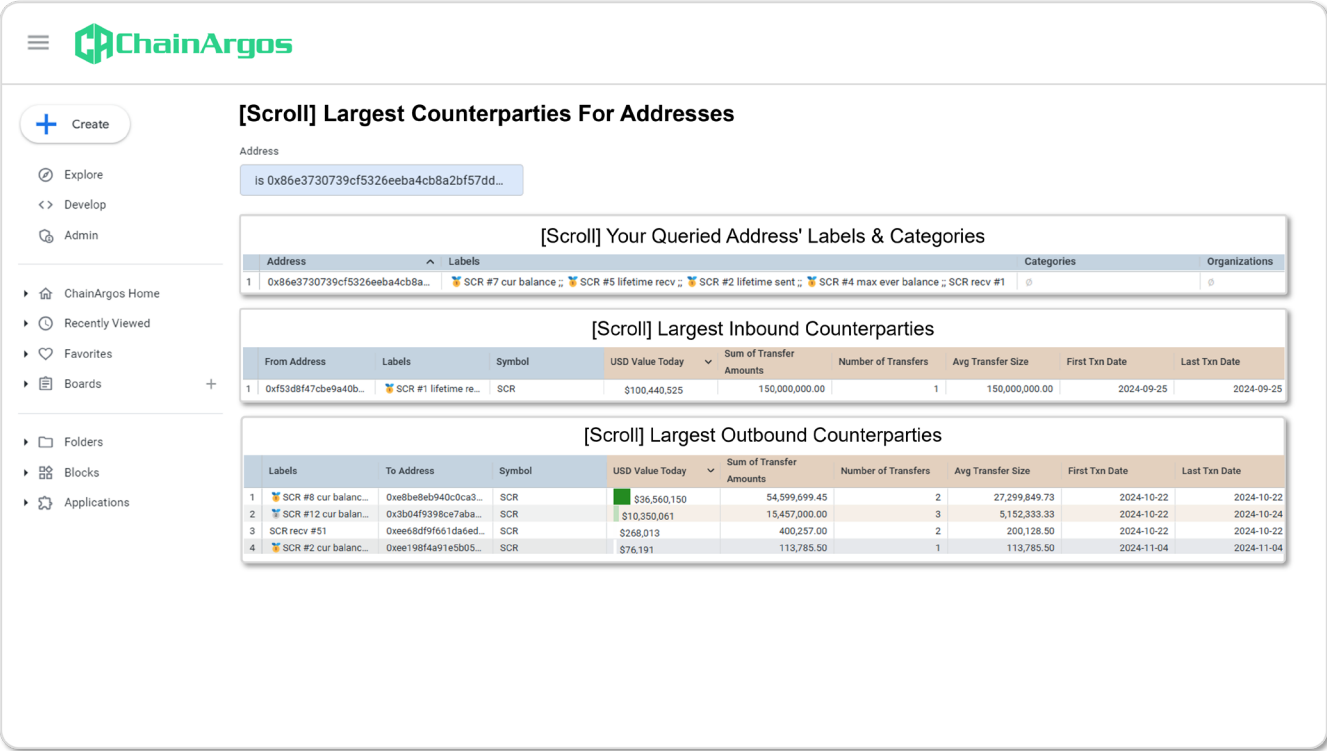


Figure 7. Largest Inbound and Outbound Counterparties for Airdrops Address.

⁶ 0x86e3730739cf5326eeba4cb8a2bf57dd91a2e455

DAO Treasury

The DAO Treasury⁷ received 100,000,000 SCR tokens, consistent with the 10% of SCR tokens allocated to the Scroll DAO Treasury.

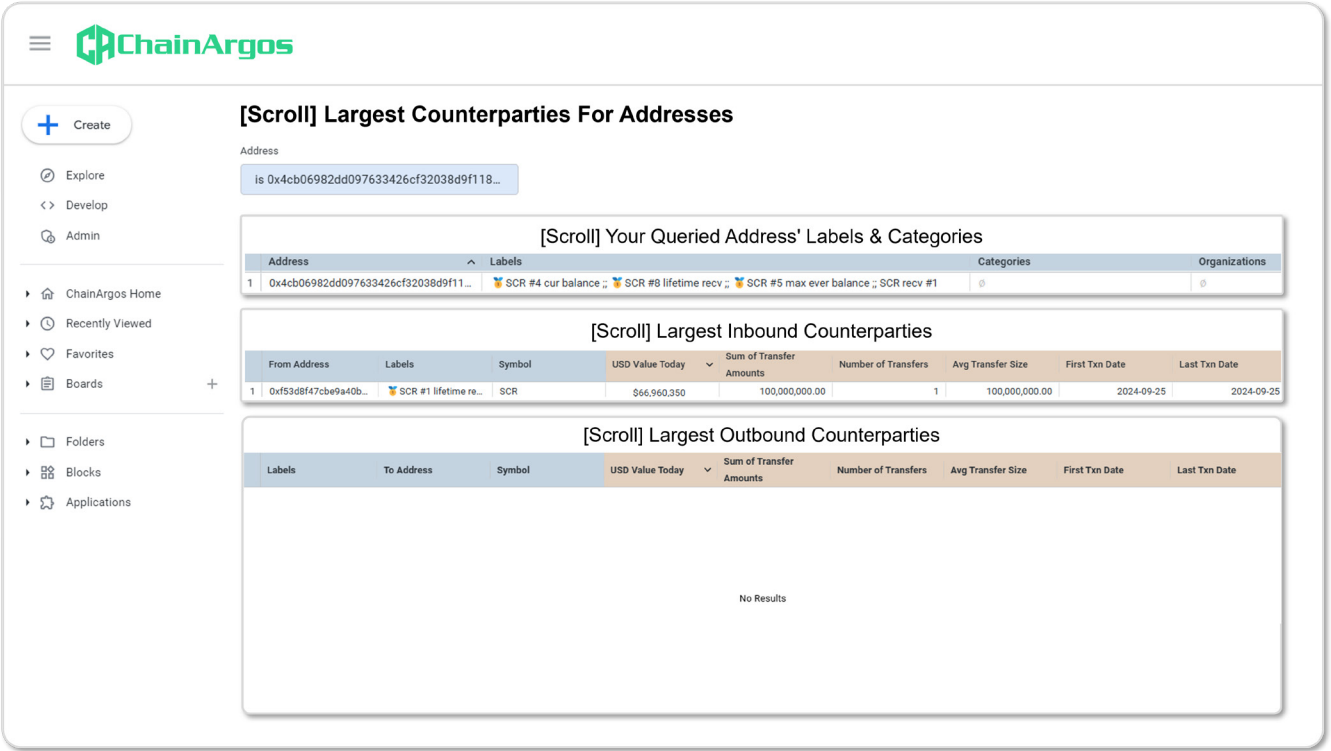


Figure 8. Largest Inbound and Outbound Counterparties for the DAO Treasury.

Given the DAO has yet to be formed, there were no outflows of SCR tokens from this address at the time this case study was prepared, which confirms the DAO Treasury has been correctly identified.

⁷0x4cb06982dd097633426cf32038d9f1182a9ada0c

Scroll Foundation

The Scroll Foundation⁸ received 100,000,000 SCR tokens, consistent with the 10% of SCR tokens allocated to the Scroll Foundation.

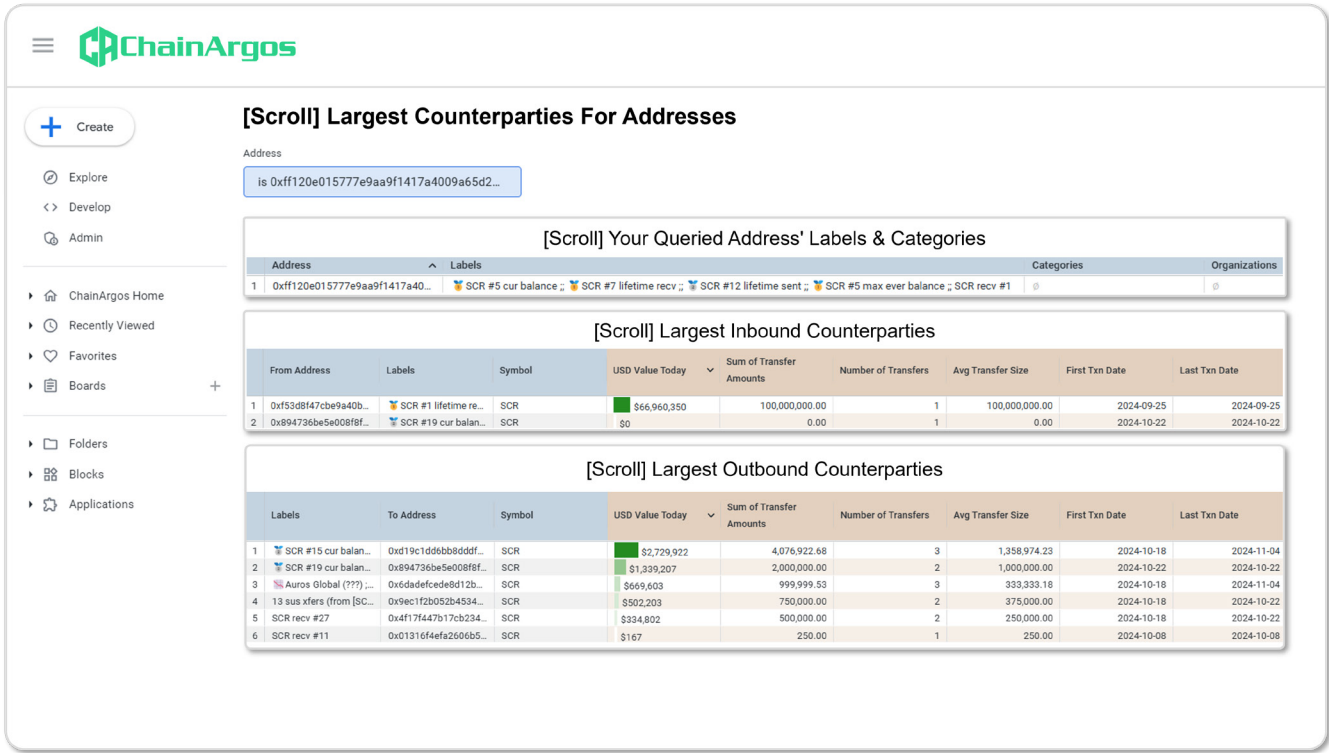


Figure 9. Largest Inbound and Outbound Counterparties for the Scroll Foundation.

Unlike the DAO Treasury, the Scroll Foundation has an “unlock” schedule for SCR tokens, which is managed manually.

This is why it is possible to distinguish the Scroll Foundation from the DAO Treasury even though both wallets receive the same number of SCR tokens.

Unlike the DAO Treasury, there are outflows of SCR tokens from the Scroll Foundation and this distinguishes the Scroll Foundation address from the DAO Treasury address.

⁸ 0xff120e015777e9aa9f1417a4009a65d2eda78c13

Where do the SCR tokens go next?

Now that we've established the blockchain addresses for the various stakeholders, let's see where the SCR tokens go next.

According to Scroll's blog, "5.5% of the total SCR token supply is allocated to participate in Binance Launchpool and Pre-Market on the launch of the SCR" and this is confirmed by the transfer of 54,999,999 SCR tokens from the E&G Address to Pre-Market Launch.⁹

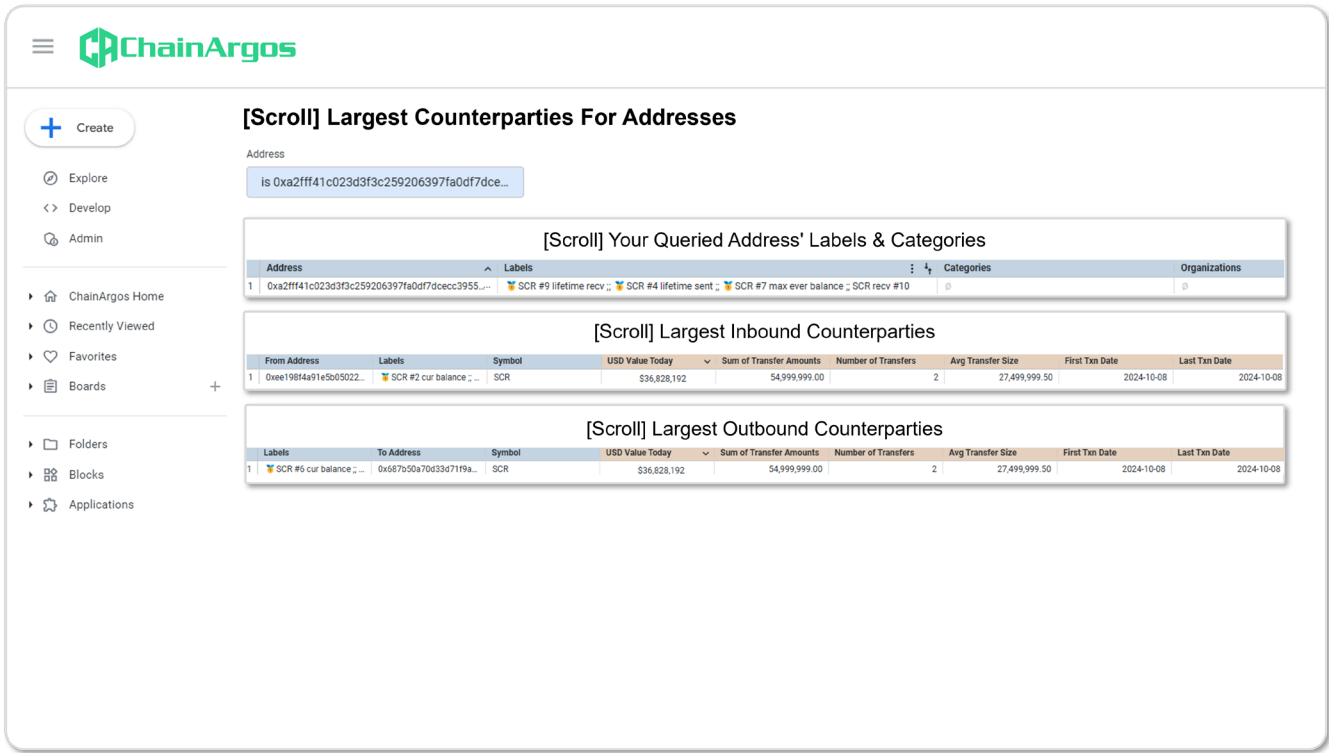


Figure 10. Largest Inbound and Outbound Counterparties for the Pre-Market Launch address.

Pre-Market Launch then sends its entire allocation of 54,999,999 SCR tokens to Binance Launchpool¹⁰ which appears to distribute SCR tokens to various investors.

⁹ 0xa2fff41c023d3f3c259206397fa0df7dcecc3955
¹⁰ 0xd67b50a70d33d71f9a82dd330b8c091e4d772508

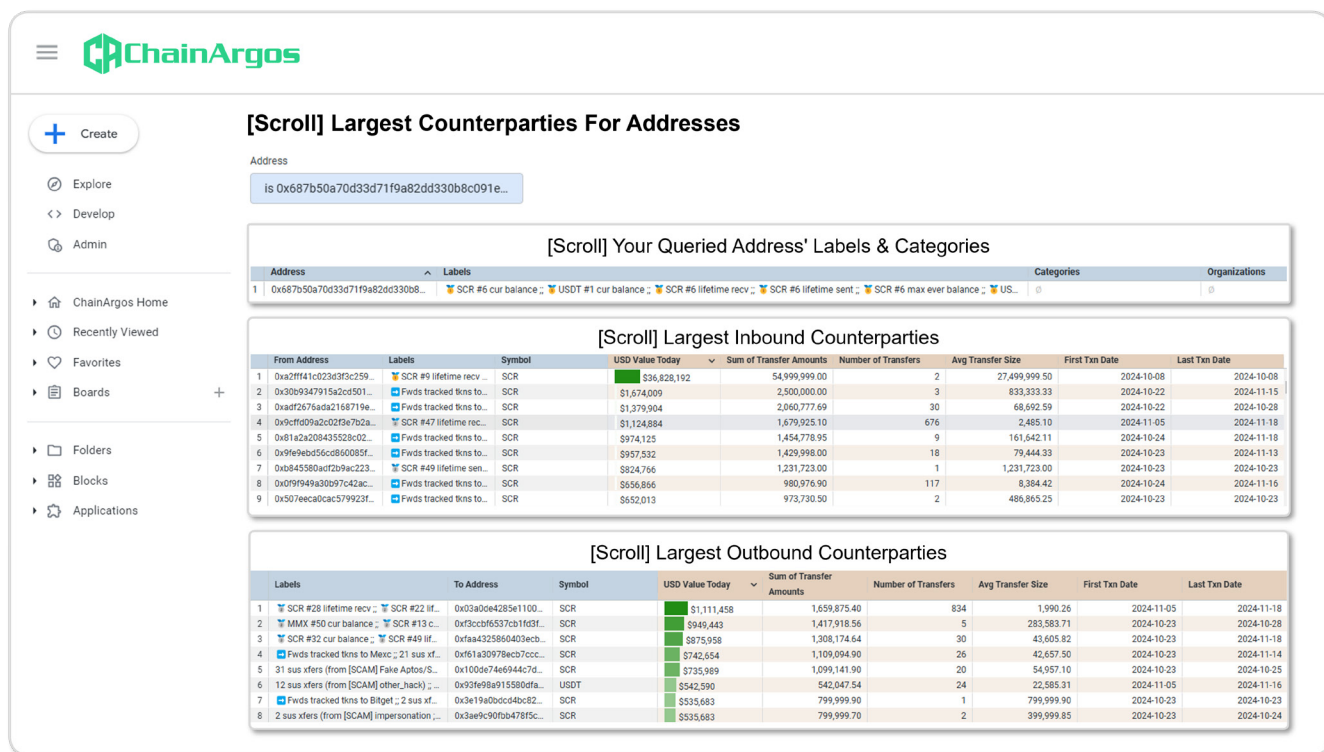


Figure 11. Largest Inbound and Outbound Counterparties for the Binance Launchpool address.

At the time this case study was prepared, the Binance Launchpool held approximately 78 million SCR tokens, which is more than the 54.9 million SCR tokens received from the Pre-Market Launch.

The additional inflows to the Binance Launchpool came from blockchain addresses previously identified as Binance deposit addresses and so it is reasonable to infer that the Binance Launchpool is Binance's hot wallet on the Scroll blockchain.

Overview of SCR Token Wallets

Now that we know where all the SCR tokens are, we can determine their actual free float because hidden pockets of SCR token liquidity will likely have an impact on price if they are released into the markets.

Stakeholder	Promised	Allocated	Type of Address ¹¹	Notes
SCR Distributor	1 billion	1 billion	Multisig Gnosis safe (4 owners)	Initial mint of SCR tokens sent here.
E&G Address	250,000,000	250,000,000	Multisig Gnosis safe (5 owners)	Receives 25% of SCR tokens from SCR Distributor, sends 55 million SCR tokens to Binance Launchpool.
Pre-Market Launch	55,000,000	54,999,999	EOA	Receives and then sends 55 million SCR tokens to Binance Launchpool.
Binance Launchpool			EOA	Holds 54,999,999 SCR tokens, and appears to be related to Binance.
Scroll Contributors	230,000,000	229,481,273	Multisig Gnosis safe (5 owners)	Receives approximately 23% SCR tokens from the SCR Distributor. No outflows at the time the case study was prepared.
SCR Investors	170,000,000	170,518,727	Multisig Gnosis safe (5 owners)	Receives approximately 17% of SCR tokens from the SCR Distributor. No outflows at the time the case study was prepared.
Airdrops	150,000,000	150,000,000	Multisig Gnosis safe (5 owners)	Receives 15% of SCR tokens from the SCR Distributor.
DAO Treasury	100,000,000	100,000,000	Multisig Gnosis safe (5 owners)	Receives 10% of SCR tokens from the SCR Distributor. No outflows at the time the case study was prepared.
Scroll Foundation	100,000,000	100,000,000	Multisig Gnosis safe (5 owners)	Receives 10% of SCR tokens from the SCR Distributor and has started to make outbound transfers in October 2024, which suggests that these transfers are according to some form of an unlock schedule.

¹¹ An EOA or Externally Owned Account is an address where control of the address sits entirely with a private key stored off-chain. The canonical example of such an address is an Ethereum address that is not a smart contract, it is just an address secured by a private key held by some person. An Ethereum multi-signature (multisig) wallet is a type of digital wallet that requires multiple signatures or approvals from designated parties before transactions can be executed. This advanced security feature addresses the vulnerabilities associated with single-user wallets by distributing the authority to authorize transactions among multiple users, typically to prevent fraud or unauthorized access. A Gnosis safe is a popular type of multisig wallet.

Pre-Market Launch and Binance Launchpool are externally-owned accounts or EOAs, which means whoever controls the private keys to those addresses, has total control over the SCR tokens allocated to them.

Every other stakeholder address is a Gnosis safe with almost all these mutlisig wallets requiring 3-of-5 signatures to execute transactions and none of them has been locked using smart contracts.

Overall, there does not appear to be any automatic locking schedule for SCR tokens, and the distribution and allocation process of SCR tokens continues to be manual.

Determining Actual SCR Free Float

To determine the available free float of SCR tokens, a good place to start is using the Scroll blockchain's explorer to identify the current SCR token holdings.¹²

Rank	Address	Quantity	Percentage	Value
1	0x212499E4...B1c469233	229,481,273.00000000000000000029	22.9481%	\$142,979,454.55
2	0xE198F4a...45D3b03DF	190,953,444.49393	19.0953%	\$118,974,498.36
3	0x206367eb...F606eEbB7	170,518,727	17.0519%	\$106,242,545.45
4	0x4cb06982...82a9aDA0c	100,000,000	10.0000%	\$62,305,500.00
5	0xf120e01...2EdA78C13	91,672,827.792	9.1673%	\$57,117,213.72
6	0x86E37307...d91a2E455	79,429,258.0457999999485	7.9429%	\$49,488,796.37
7	0x687B50A7...e4D772508	77,317,946.355324073144591118	7.7318%	\$48,173,333.07
8	0xf89d7b9c...2B35EaA40	5,362,188.20477392201242638	0.5362%	\$3,340,938.17
9	Scroll: Token Distributor	5,328,489.529200000002	0.5328%	\$3,319,942.04
10	0xa114a2EE...e4D1947B8	4,784,232.281613081	0.4784%	\$2,980,839.84

Figure 12. Screenshot for Scrollscan taken at 0600 UTC on November 20, 2024.

¹² <https://scrollscan.com/token/0xd29687c813d741e2f938f4ac377128810e217b1b#balances>

Now let's establish what the actual free float of SCR tokens is based on the current holdings in identified wallet addresses.

Stakeholder	Promised	Current Balance
E&G Address	250,000,000	190,953,444.49393
Scroll Contributors	230,000,000	229,481,273
SCR Investors	170,000,000	170,518,727
Airdrops	150,000,000	79,429,258.04579
DAO Treasury	100,000,000	100,000,000
Scroll Foundation	100,000,000	91,672,827.79200
TOTAL:	1,000,000,000	862,055,530.33172
ACTUAL FREE FLOAT:		137,944,469.66828

Based on what the various stakeholder wallets were holding at the time this case study was prepared, around 137.9 million SCR tokens constitute the free float.

However, the promised free float was supposed to be 190 million SCR tokens, meaning just over 52 million SCR tokens remain left to be unloaded into the market at the time this case study was prepared:

Stakeholder	Promised	Current Balance	Yet to be Distributed
Ecosystem & Growth	45,000,000	4,046,555.50607	40,953,444.49393
Binance Launchpad	55,000,000	55,000,000	0
Airdrop #1	70,000,000	70,570,741.95421	0
Scroll Foundation	20,000,000	8,327,172.20800	11,672,827.79200
TOTAL OUTSTANDING TO BE DISTRIBUTED:			52,055,530.3317199

None of this is to suggest the team behind Scroll has acted inappropriately in any way, but rather to recognize the effect a sudden outflow of SCR tokens from stakeholder wallet addresses has on price.

As you can see from the charts below in Figure 13., the massive outflow of SCR tokens from various multisig addresses controlled by the team behind Scroll on October 24, 2024, coincided with an almost 34% decline in the price of SCR tokens.

A smaller release of SCR tokens on October 30, 2024 coincided with another price decline. The multisigs paused their SCR token release after November 5, 2024, and that saw a gradual improvement in SCR’s token price towards November 11, 2024.

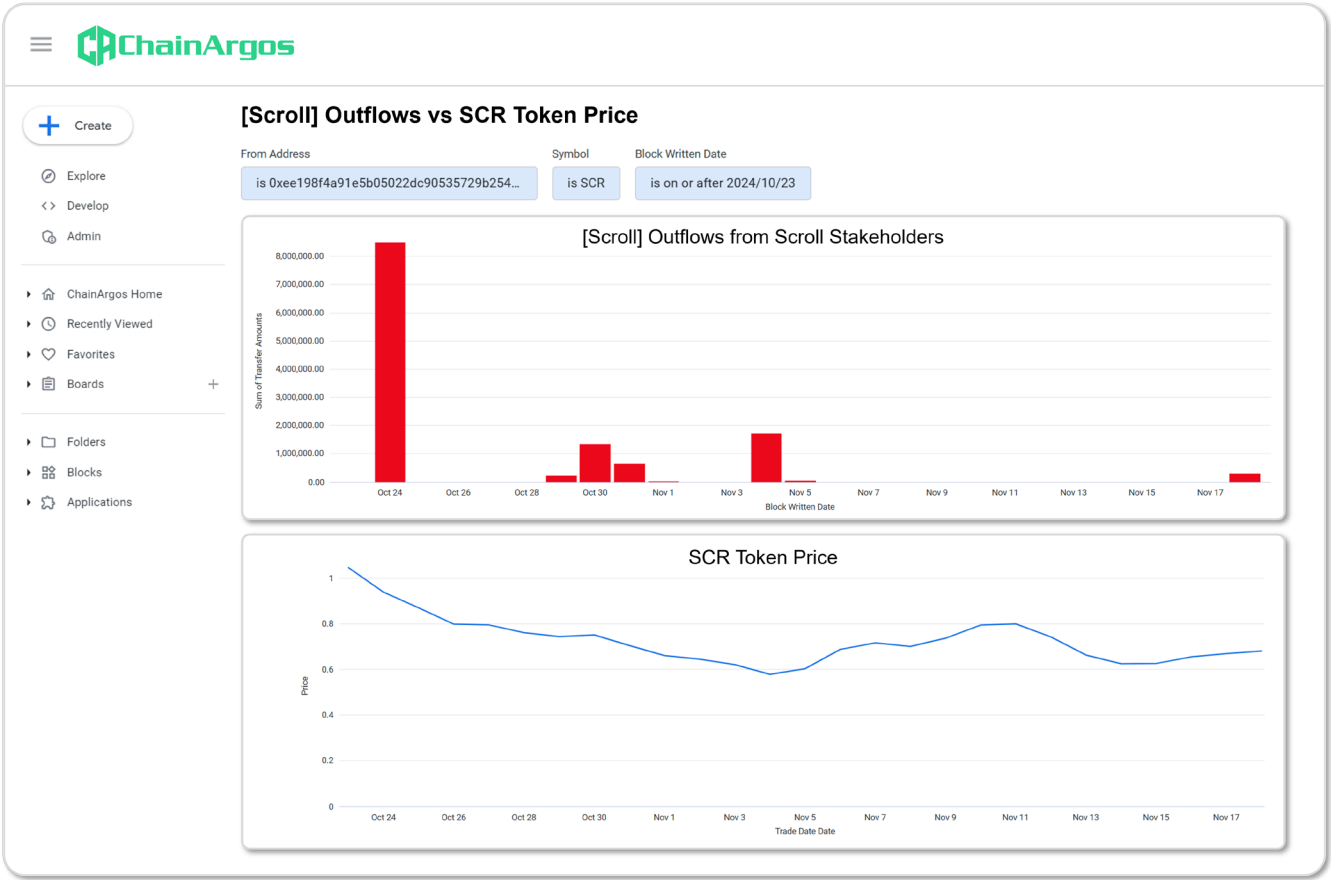


Figure 13. Outflow of SCR tokens from stakeholder wallets and SCR token price overtime.

Analysis and Conclusion

Using ChainArgos' "Largest Senders and Receivers" of a token dashboard gives a quick overview of the major players of any given token, providing unparalleled insight into a key token metric investors should be monitoring.

With Scroll, the actual SCR token liquidity was less than advertised, meaning there are hidden pockets of SCR tokens available to be released into the market, with its effect on price.

We've now identified the two wallet addresses that hold just over 52 million SCR tokens yet to be distributed:

Stakeholder	Address
Ecosystem & Growth	0xee198f4a91e5b05022dc90535729b2545d3b03df
Scroll Foundation	0xff120e015777e9aa9f1417a4009a65d2eda78c13

Closely watching these two wallets can help traders and investors determine when a sudden flood of SCR token liquidity could have an impact on SCR's token price.

For instance, if the E&G Address or the Scroll Foundation start sending significant amounts of SCR tokens to centralized or decentralized exchange addresses, it could be associated with selling pressure for SCR tokens.

Who are we?

ChainArgos is the blockchain intelligence firm best known for uncovering crypto-asset exchange Binance's \$1.4bn BUSD stablecoin undercollateralization, forcing the New York Department of Financial Services to take action.

We provide unparalleled blockchain intelligence by focusing on the financial drivers of transactions, facilitate investigations and analysis centered on the economic value of transfers, and provide insight into the motivation behind specific flows.

ChainArgos is recognized globally as a leader in blockchain intelligence.

We've tracked illicit flows funding terrorism and sanctions evasion, analyzed transaction patterns connecting global scams, and uncovered crypto-asset trading opportunities before the market.



Where else have you seen us?

ChainArgos works with the United Nations, governments, central banks, financial institutions, hedge funds, proprietary trading firms, regulators, law enforcement and intelligence agencies, research institutes, universities, and crypto-asset service providers globally.

We're trusted by top news outlets including the Wall Street Journal, Bloomberg, Forbes, Fortune, Thomson Reuters, and the South China Morning Post, for unimpeachable blockchain intelligence.

Here's just a selection of our blockchain intelligence that created news:

<p>Bloomberg</p>  <p>Binance Acknowledges Past Flaws in Maintaining Stablecoin Backing</p> <ul style="list-style-type: none"> Blockchain analyst Reiter had flagged gaps in Binance-peg BUSD Binance says earlier 'operational delays' have now been fixed 	<p>Forbes</p>  <p>Did Digital Currency Group Profit From \$60 million In North Korea Crypto Money Laundering?</p>	<p>THE WALL STREET JOURNAL.</p>  <p>From Hamas to North Korean Nukes, Cryptocurrency Tether Keeps Showing Up</p> <p>Tether has allegedly been used by Hamas, drug dealers, North Korea and sanctioned Russians</p>
<p>THE WALL STREET JOURNAL.</p>  <p>The Shadow Dollar That's Fueling the Financial Underworld</p> <p>Cryptocurrency Tether enables a parallel economy that operates beyond the reach of U.S. law enforcement</p>	<p>Bloomberg</p>  <p>Stablecoin Operator Moves \$1 Billion in Reserves to Bahamas</p> <ul style="list-style-type: none"> Move reflects worsening US banking conditions for crypto firms TrueUSD's circulation has more than doubled in the last month 	<p>South China Morning Post</p>  <p>How crypto investigators uncover scammers' blockchain billions, scale of money laundering in Asia</p>

Who uses blockchain intelligence?



Finance and
Banking



Compliance



Law Enforcement



Regulators and
Policymakers

Finance and Banking

Assess the risks and opportunities in crypto-assets, stablecoins, and decentralized finance. Develop innovative products, explore tokenization opportunities, and generate new revenue streams.

Compliance

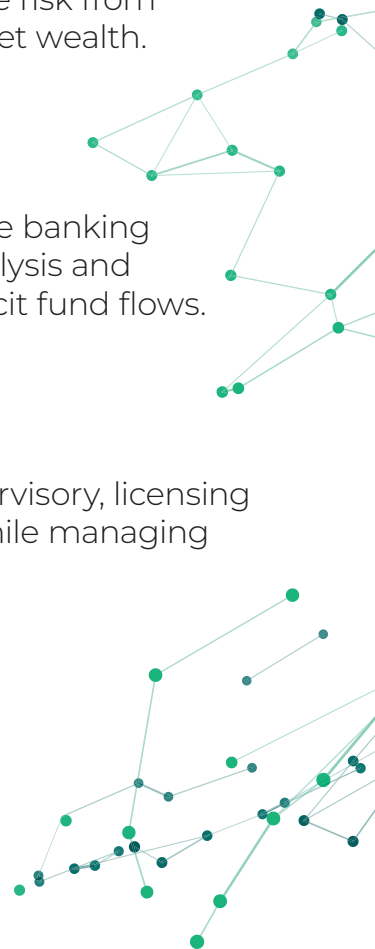
Fight money laundering, expand know-your-customer tools, and combat the financing of terrorism while expanding your customer base. Manage risk from customer crypto-assets and confidently verify sources of crypto-asset wealth.

Law Enforcement

Terrorists and criminals are using blockchain technology to avoid the banking system, launder money, and fund operations. Blockchain wallet analysis and transaction tracing fights crime, prosecutes criminals, and tracks illicit fund flows.

Regulators and Policymakers

Develop and implement effective crypto-asset and stablecoin supervisory, licensing tax, compliance, and regulatory frameworks to foster innovation, while managing threats to national security and the financial system.



How are we different?

We deliver actionable blockchain intelligence.

Say “no” to pseudo-science and “yes” to blockchain intelligence you can count on for commerce, compliance, and crime-fighting.

ChainArgos is built by finance, legal, and technology professionals to deliver actionable blockchain intelligence focused on financially-relevant analysis.

Whether you’re looking to on-board a customer, determine source of wealth, or ensure your evidence isn’t rejected on appeal, our blockchain intelligence is based on established principles of statistics, math, and forensic science.

Extreme Versatility

Create compliance and commercially-driven analysis in a single place and arrive at better business decisions faster.

No-Code Customization

Build any query or analysis without programming skills or coding.

Financially-Relevant

Standard financial measures combined with blockchain intelligence for actionable insight.

Data Integrity

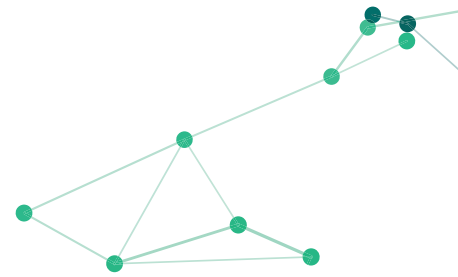
ChainArgos runs its own blockchain nodes, and we never enrich our data with yours, so you can be sure of data integrity.

API Ready

Robust and resilient APIs with 99.99% uptime. Minimal code required for easy integration.

Automated Alerts

Schedule automated alerts and reports via Email, Webhook, Amazon S3 and SFTP so you’re always in the know when something happens.



How do we do it?

Blockchain intelligence is a relatively new industry, and it's not uncommon to hear of methods which have little basis in finance, let alone forensic science.

Let's look at one example to understand the limitations of blockchain tracing.

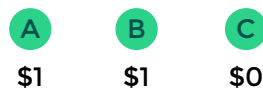


Fig. 1

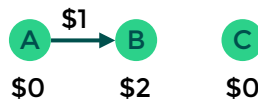


Fig. 2

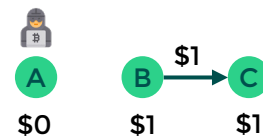


Fig. 3

In Fig. 1, A and B start with \$1, while C starts with \$0. In Fig. 2, A transfers their \$1 to B who now has \$2. Finally, in Fig. 3, B transfers \$1 to C, who now has \$1.

If it turns out A is an illicit actor, with what degree of confidence can we say that C has received \$1 from illicit sources? 50-50?

Would you accept a “risk score” of 50%?

Follow the money.

Instead of passing off “risk scores” as “risk management” ChainArgos helps you follow the money.

Most blockchain transactions don't derive from a single source, and believing they do is what leads to poor outcomes.

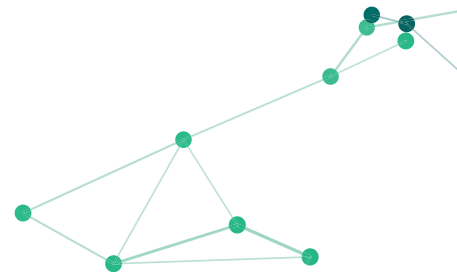
Make better decisions by focusing on what matters - where the money went, where it came from, and where does it look like it's headed to?

How much does one address deal with another? What's the average transaction size? What's the frequency? What's the crypto-asset or stablecoin of choice? What's the transaction behavior? When did the transaction size change?

And so much more.

The screenshot shows the ChainArgos web application. On the left is a sidebar with navigation options: ChainArgos Home, Recently Viewed, Favorites, Boards, Folders, Blocks, and Applications. The main content area is titled "[Blockchain] Counterparties for Addresses". It includes search filters for "To or From Address" and "Symbol". Below the filters are several data tables:

- [Blockchain] Your Queried Addresses' Labels & Categories:** A table with columns: Address, Labels, Categories, Organizations. It shows one row with index 1.
- Blacklisting Info (If Any):** A table with columns: Timestamp Date, Authority, Action, Blockchain. It shows one row with index 1.
- [Blockchain] Inbound Counterparties:** A table with columns: From Address, Labels, Symbol, USD Value Today, Sum of Transfer Amounts, Number of Transfers, Avg Transfer Size, First Txn Date, Last Txn Date. It shows two rows with indices 1 and 2.
- [Blockchain] Outbound Counterparties:** A table with columns: To Address, Labels, Symbol, USD Value Today, Sum of Transfer Amounts, Number of Transfers, Avg Transfer Size, First Txn Date, Last Txn Date. It shows two rows with indices 1 and 2.



Better attribution.

Don't risk critical legal, trading, and compliance decisions to questionable or subjective attribution methods. Trust math and science.

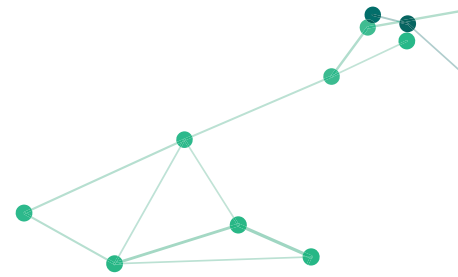
ChainArgos is the only blockchain intelligence firm that delivers programmatic address labels and wallet tags that are unassailable whether you're making business decisions or preparing to sue someone.

Blockchain addresses are automatically ranked and labeled based on a variety of factors including:

- **Transaction Count:** the number of transactions by an address. Sending \$100,000 in one transaction may have very different implications from sending 10 transactions of \$10,000 each. Either way, you'll know the difference.
- **Lifetime Sent/Received:** lists the biggest sender and/or receiver of any given crypto-asset or stablecoin currently. Markets are extremely dynamic. The biggest movers today may not be the same tomorrow.
- **Max. Historical / Current Balances:** helps you decide whether an address is participating in affiliated crypto-assets and/or stablecoins based on their maximum historical balance and who's stocking the highest current balances.
- **Recipient Number:** gives you a sense of whether they were an early adopter, or even possibly an insider of a crypto-asset or stablecoin. Recipients are ranked according to the date and time they received a crypto-asset or stablecoin.

Say "no" to dodgy wallet tagging and "yes" to attribution you can trust.





Legal Disclaimers.

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